

SOUTHWEST SHIAWASSEE EMERGENCY
SERVICES ALLIANCE

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Southwest Shiawassee Emergency Services		County Shiawassee	
Fiscal Year End December 31, 2006		Opinion Date October 25, 2007		Date Audit Report Submitted to State 1-7-08			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

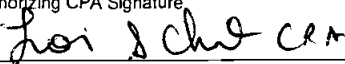
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS & WENZLICK, P.C.			Telephone Number 989-723-8227	
Street Address 217 N. WASHINGTON ST., SUITE 201			City OWOSSO	State MI
			Zip 48867	
Authorizing CPA Signature 		Printed Name Lori S. Chant		License Number 1101020651



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INDEPENDENT AUDITOR'S REPORT

Members of the Southwest Shiawassee
Emergency Services Alliance
Shiawassee County, Michigan

We have audited the general-purpose financial statements of Southwest Shiawassee Emergency Services Alliance, Shiawassee County, Michigan as of December 31, 2006. These general-purpose financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and change in financial position of its governmental activities as required by Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

The general-purpose financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets account group is not known.

The Perry Volunteer Fireman's Association raises funds for the purchase of equipment that will be used by Southwest Shiawassee Emergency Services Alliance. The financial transactions of this association were not available for this audit, and are excluded from this report.

In our opinion, except for the non-application of GASB 34 and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to test the association and for the fixed asset group of accounts, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Southwest Shiawassee Emergency Services Alliance, as of December 31, 2006, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our report of comments and recommendations has been submitted under separate cover dated October 25, 2007.

Dennis and Delaney, P.C.

Certified Public Accountants

Owosso, Michigan
October 25, 2007

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		<u>Account Group</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Long-Term Debt</u>
ASSETS AND OTHER DEBITS			
ASSETS:			
Cash	\$ 38,668	\$162,462	\$
Prepaid Insurance	2,343		
Accounts Receivable	95,728		
Amount to be Provided	_____	_____	253,858
TOTAL ASSETS AND OTHER DEBITS	<u>\$136,739</u>	<u>\$162,462</u>	<u>\$253,858</u>
LIABILITIES AND OTHER CREDITS			
LIABILITIES:			
Accounts Payable	\$ 8,469	\$	\$
Wages Payable	<u>6,561</u>	_____	_____
TOTAL LIABILITIES	\$ 15,030	\$	\$
LONG-TERM DEBT	\$	\$	\$253,858
EQUITY:			
Fund Balances	<u>121,709</u>	<u>162,462</u>	_____
TOTAL EQUITY	\$121,709	\$162,462	\$
TOTAL LIABILITIES AND EQUITY	<u>\$136,739</u>	<u>\$162,462</u>	<u>\$253,858</u>

The accompanying notes are an integral part of the financial statements.

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Capital Projects</u>
REVENUES:		
Fees for Services	\$360,603	\$
Governmental Units – Ambulance Services	195,932	
Governmental Units – Fire Protection	214,487	
Interest Income	878	1,991
Miscellaneous Income	<u>4,305</u>	
TOTAL REVENUES	\$776,205	\$ 1,991
EXPENDITURES:		
Salaries	\$253,087	\$
Health Insurance	15,765	
Retirement	4,423	
Payroll Taxes	11,758	
Insurance	36,613	
Interest Expense	664	17,285
Maintenance and Supplies	54,359	14,484
Fuel	11,864	
Telephone	2,944	
Utilities	11,402	
Community Education	924	
Medical Fees	3,080	
Training, Instruction, Dues	15,663	
Professional Fees	1,575	
Billing Services	7,800	
Office Expenses	10,752	264
Long-Term Debt Principal	15,926	55,556
Insurance Adj. and Write-Offs	<u>49,688</u>	
TOTAL EXPENDITURES	\$508,287	\$ 87,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$267,918	\$(85,598)
OTHER FINANCING SOURCES (USES):		
Operating Transfers In	\$	\$175,775
Operating Transfers Out	<u>(175,775)</u>	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 92,143	\$ 90,177
Fund Balances – Beginning of Year	<u>29,566</u>	<u>72,285</u>
FUND BALANCES – END OF YEAR	\$121,709	\$162,462

The accompanying notes are an integral part of the financial statements.

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>		Actual (Over) Under <u>Budget</u>	<u>Capital Projects Fund</u>		Actual (Over) Under <u>Budget</u>
	<u>Budget</u>	<u>Actual</u>		<u>Budget</u>	<u>Actual</u>	
REVENUES:						
Fees for Services	\$235,645	\$360,603	\$(124,958)	\$	\$	\$
Gov't Units – Ambulance	192,896	195,932	(3,036)			
Gov't Units – Fire Protect.	213,716	214,487	(771)			
Interest Income	850	878	(28)		1,991	(1,991)
Miscellaneous Income	<u>1,350</u>	<u>4,305</u>	<u>(2,955)</u>	<u>—</u>	<u>1,991</u>	<u>(1,991)</u>
TOTAL REVENUES	\$633,457	\$776,205	\$(131,748)	\$	\$	\$ (1,991)
EXPENDITURES:						
Salaries	\$263,364	\$253,087	\$ 10,277	\$	\$	\$
Health Insurance	15,850	15,765	85			
Retirement		4,423	(4,423)			
Payroll Taxes	22,452	11,758	10,694			
Insurance	34,825	36,613	(1,788)			
Interest Expense		664	(664)			
Maintenance & Supplies	68,250	54,359	13,891			
Fuel	11,775	11,864	(89)			
Telephone	3,000	2,944	56			
Utilities	11,900	11,402	498			
Community Education	1,650	924	726			
Medical Fees	3,100	3,080	20			
Training, Dues	8,050	15,663	(7,613)			
Professional Fees	1,575	1,575				
Billing Services	7,800	7,800				
					17,285	(17,285)
					14,484	(14,484)

The accompanying notes are an integral part of the financial statements.

SOUTHWEST SHIA WASSEE EMERGENCY SERVICES ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>		<u>Capital Projects Fund</u>		Actual (Over) Under Budget
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
EXPENDITURES:					
Office & Misc. Expense	\$ 14,825	\$ 10,752	\$	\$ 264	\$ (264)
Long-Term Debt:					
Principal		15,926		55,556	(55,556)
Insurance Adjustment & Write-Offs		49,688			
Fixed Assets	175,740	175,740			
TOTAL EXPENDITURES	<u>\$644,156</u>	<u>\$508,287</u>	<u>\$</u>	<u>\$ 87,589</u>	<u>\$ (87,589)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$267,918	\$	\$ (85,598)	\$ (85,598)
OTHER FINANCING SOURCES:					
Transfers In	\$	\$	\$	\$175,775	\$ (175,775)
Transfers Out		<u>175,775</u>			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 301</u>	\$ 92,143	<u>\$</u>	\$ 90,177	<u>\$ (90,177)</u>
Fund Balances –					
Beginning of Year		<u>29,566</u>		<u>72,285</u>	
FUND BALANCES – END OF YEAR		<u>\$121,709</u>		<u>\$162,462</u>	

The accompanying notes are an integral part of the f

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Organization was formed August 1, 2004, as an emergency services authority. The Organization was formed pursuant to the Emergency Services to Municipalities Act, Public Act 57 of 1988. The purpose of the Organization is to provide emergency services as defined in the Emergency Services Act, including, but not limited to, providing apparatus, equipment, personnel and/or services for fire protection, fire suppression and ambulance services.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The accounts of the Organization are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental fund not recorded directly in those funds.

The Organization has the following fund types and account groups:

GOVERNMENTAL FUNDS

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CAPITAL PROJECTS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The general long-term debt account group is used to establish accounting control and accountability for the unmatured principal on the Organization's long-term debt.

DEPOSITS AND INVESTMENTS

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

INVENTORIES AND PREPAID ITEMS

The costs of governmental fund-type inventories and certain payments to vendors are recorded as expenditures when purchased, with the exception of insurance premiums.

COMPENSATED ABSENCES

There are no compensated absences.

BUDGETS AND BUDGETARY ACCOUNTING

The Organization follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Treasurer submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budgets are approved by each of the controlling units of government.
3. Prior to January 1, the budget is legally enacted through Board approval.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Organization includes all funds, account groups, agencies, board, commissions and authorities that are controlled by or dependent on the Organization. Control by or dependence on the Organization was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues, general obligations of the Organization to finance any deficits that may occur or receipt of significant subsidies from the Organization.

The Perry Volunteer Fireman's Association raises funds for the purchase of equipment that will be used by the Southwest Shiawassee Emergency Services Alliance. The Association has a separate oversight Board and is responsible for filing its own, separate, government reports. The financial transactions of the Association are not included in this report.

FIXED ASSETS

Fixed assets used in governmental fund types of the Organization are recorded in the general fixed asset account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated cost by the units of government. Assets in the general fixed asset account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The Organization does not account for its fixed assets.

INSURANCE ADJUSTMENTS

The Organization treats contractual adjustments by insurance companies as current expenses. Clients' insurance companies are billed for the entire amount of the service provided. Due to contractual differences, some insurance companies do not pay the full amount billed.

WRITE-OFFS

The Organization uses the direct write-off method to account for bad debts. Receivables are left on the books until time or other factors, such as client death or bankruptcy, lead the Board to believe the debt will be uncollectible.

NOTE B – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Organization's actual expenses and budgeted expenses of the budgetary funds reflect where the actual expenses exceed budgeted amounts. The over expenditures were funded by revenues in excess of budgeted amounts and available fund balance.

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006

NOTE B – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

During the year ended December 31, 2006, the Organization incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
Retirement	\$	\$ 4,423	\$ 4,423
Insurance	34,825	36,613	1,788
Interest Expense		664	664
Fuel	11,775	11,864	89
Training, Dues	8,050	15,663	7,613
Long-Term Debt Principal		15,926	15,926
Transfer to Capital Projects Fund		175,775	175,775

NOTE C – CASH

The Organization's deposits consist of interest bearing savings and checking accounts. At year end, the bank balance was essentially the same as the carrying value.

The Organization's deposits consisted of cash.

<u>Institution A</u>	<u>Amount</u>	<u>FDIC Insured</u>	<u>Uninsured</u>
Time Deposits	\$152,465	\$100,000	\$ 52,465
Demand Deposits	<u>48,465</u>	<u>100,000</u>	<u>52,465</u>
	<u>\$200,930</u>	<u>\$200,000</u>	<u>\$ 52,465</u>

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006

NOTE D – LONG-TERM DEBT

The Organization borrowed \$324,096 in October 2000, for the purpose of purchasing a new fire truck with a cost of \$384,096. The loan is payable with interest at 6.89% per annum and is secured by the fire truck.

<u>Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 46,018	\$ 9,469	\$ 36,549
2008	46,018	6,885	39,133
2009	46,018	4,118	41,900
2010	<u>34,513</u>	<u>1,156</u>	<u>33,357</u>
TOTALS	<u>\$172,567</u>	<u>\$21,628</u>	<u>\$150,939</u>

NOTE E – NOTES PAYABLE

The Organization acquired a 4 year note on August 8, 2004 for \$38,000. It was payable to Chemical Bank in monthly installments of \$884 with an interest rate of 5.5% annually. It was secured by turn-out gear. The note was paid off early in December 2006.

NOTE F – AMBULANCE LEASE

The Organization borrowed \$140,000 in February 2005, for the purpose of purchasing a 2004 LifeLine Medium Duty Ambulance with a cost of \$140,000. The loan is payable with interest at 4.59% per annum and is secured by the ambulance. After lease is completed, the ambulance may be purchased for \$1.

<u>Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 26,823	\$ 4,390	\$ 22,433
2008	26,823	3,331	23,492
2009	26,823	2,222	24,601
2010	26,823	1,059	25,764
2011	<u>6,706</u>	<u>77</u>	<u>6,629</u>
	<u>\$113,998</u>	<u>\$11,079</u>	<u>\$102,919</u>

SOUTHWEST SHIAWASSEE EMERGENCY SERVICES ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006

NOTE G – SOURCES OF REVENUES

The Organization is financed with contracts with local units of government as follows:

	Period Ending <u>December 31, 2006</u>
Burns Township	\$ 15,313
Antrim Township	61,839
Bennington Township	73,718
NIESA	10,745
Perry Township	165,483
City of Perry	77,719
Shiawassee Township	<u>5,603</u>
	<u>\$410,420</u>

In addition, they received reimbursements from third party insurance companies for fire costs and ambulance runs.

NOTE H – PENSION

The Organization established a pension plan for employees March 1, 1993. The Organization contributes 7.5% of the employees salary. For the year ended December 31, 2006, \$4,423 was contributed and recorded as an expenditure.



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Certified Public Accountants

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Tammy Pappas
David Pullen
Dean Roach
Vicki Schuler
Joyce Simmons
Barbara Wenzlick

Board of Directors
Southwest Shiawassee Emergency Services Alliance
Perry, Michigan 48872

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Southwest Shiawassee Emergency Services Alliance, hereafter referred to as SSES, for the year ended December 31, 2006.

Many of these comments and recommendations become increasingly important due to the substantial amount of growth SSES has undergone recently.

BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirement in budgeting. Total expenditures cannot exceed total budgeted revenues plus beginning fund balance. Expenditure should be reviewed periodically and the budget amended before incurring any expense which would exceed the budgeted amounts. The Capital Projects Fund must have a budget.

CHART OF ACCOUNTS

Act 2, Public Acts of 1968, as amended, requires use of a standard chart of accounts, the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. A copy of the Uniform Chart of Accounts will be provided, if requested by Department of Treasury.

GENERAL LEDGER

SSES uses Quickbooks for a general ledger. We noted many errors in set up and use of this software. We will be happy to show staff the problems encountered and suggestions to correct.

RECEIPTS

The revenue collected through SSESa should be recorded in a receipt book. The receipt must allow for immediate revenue account classification in conformation with the Uniform Chart of Accounts. All receipts should be totaled and reconciled to a deposit ticket to allow for a proper recording of revenue and timely bank reconciliations.

TRANSFERS

All loans and transfers should be approved in writing by the Council or included in the annual budget. \$175,775 was transferred from the General Fund to the Capital Projects Fund, without being budgeted or in the minutes.

When amounts are transferred between two funds, the general ledger of both fund involved should reflect the transaction. We recommend when making an interfund transaction to make certain it is recorded on both ledgers.

BANK RECONCILIATIONS

Timely reconciliations of all bank accounts is vital in maintaining strong internal controls. Bank reconciliations were not performed for the cash accounts. We recommend all bank reconciliations be performed timely and show agreement to the general ledger in order to maintain strong internal controls.

DEPOSITS

When preparing deposits, be certain the deposit ticket is for the correct amount and account. For instance, there are three checks in the December 2006 folder that were not deposited and are not marked as returned items. The envelope the check are in has two different amounts written on it with the difference being the amount of the checks. We have provided staff with these undeposited checks.

BILLINGS

At least annually, bills should be prepared and sent to the participating municipalities for services used. For instance, a letter could be sent to each municipality requesting the taxable value and/or the number of houses in the coverage area. From that information, a bill could be prepared calculating the amount due to SSESa. This would facilitate the revenue recognition process as well as budgeting.

WRITE-OFFS

All write-offs should be approved in the minutes by the Board of Directors. Periodically, the Board should get a copy of the Charge/Credit Analysis to review all old, outstanding receivables and follow a written policy regarding write-offs.

We wish to thank the Board for the excellent cooperation we received in performing the SSES audit. If we can be of any further assistance to SSES on these matters or any future matters, please do not hesitate to contact us.

Sincerely yours,

Dennis and Delaney, PC

Certified Public Accountants